



# *Hong Kong Monetary Authority – Anti–Money Laundering Seminar 2013*

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# ***Session Agenda***

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**1 Introduction**

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**2 Greater Cooperation against Tax Crimes**

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**3 Development and Response from Different Jurisdictions**

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**4 Challenges for Banks**

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**5 Q&A**

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## Section 1

### *Introduction*

## *High Profile “Tax Evasion” in the Media*

A **Swiss bank** reached a landmark US\$780 million settlement with the US authorities after admitting it sheltered the US tax cheats

**2009**

An **International bank** allowed over 2,000 bearer share accounts (1,600 in Miami, US\$2.6 billion) without adequately mitigating risks

**2012**

A **Swiss bank** pleaded guilty in a New York court to allowing more than 100 US citizens to hide US\$1.2 billion from the IRS over a 10-year period.

**2013**

## ***Tax Evasion vs. Tax Avoidance vs. Tax Planning***

- Is there a definition?
- Concept of “evasion”
- Are there any differences among “tax evasion”, “tax avoidance” and “tax planning”?

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**Tax  
Evasion**

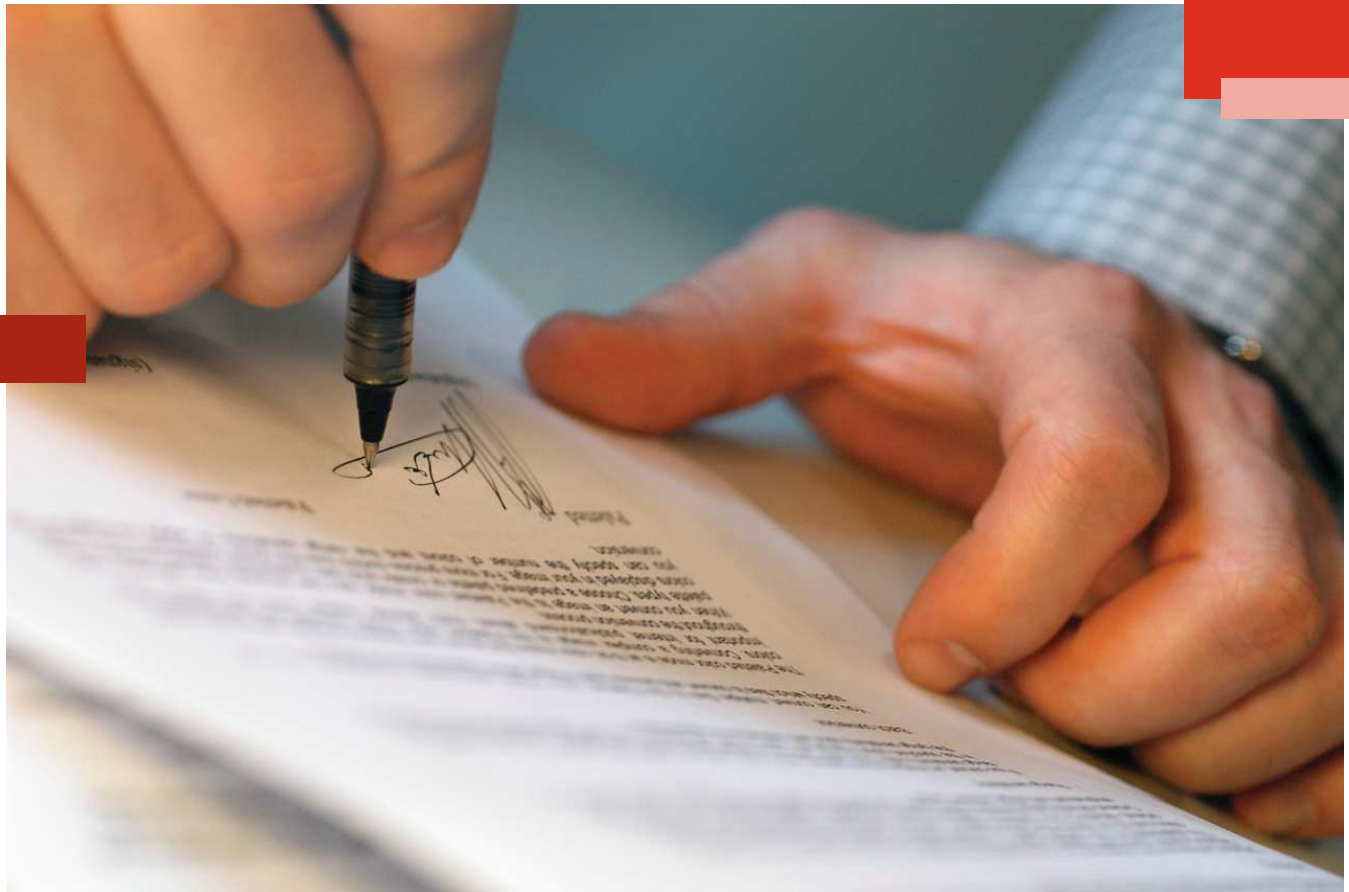
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**Tax  
Avoidance**

3

**Tax  
Planning**

# ***Sharing of Tax Evasion Cases in HK, PRC and the US***



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## Section 2

# ***Greater Cooperation against Tax Crimes***

## ***The G8 Summit***

- Held in Northern Ireland, June 17 – 18 of 2013
- Progress on the “three Ts”: Trade, Transparency and Tax
- Leaders agreed to a series of commitments to promote transparency and to fight “the scourge” of tax evasion
- Work with OECD to develop a global model for tracking tax evaders
- Significant pledges on tax in the final communiqué



## ***The OECD's BEPS project***

### ***What is BEPS? - “Base Erosion and Profit Shifting”***

#### ***What is Base Erosion?***

- Shifting profits in ways that erode the taxable base to locations with favorable tax treatment
- No or unduly low tax

#### ***Why does BEPS arise?***

- Domestic and International tax rules fail to keep pace with changing business models and technological development (e.g. business globalization, digital economy and IP as a value driver)

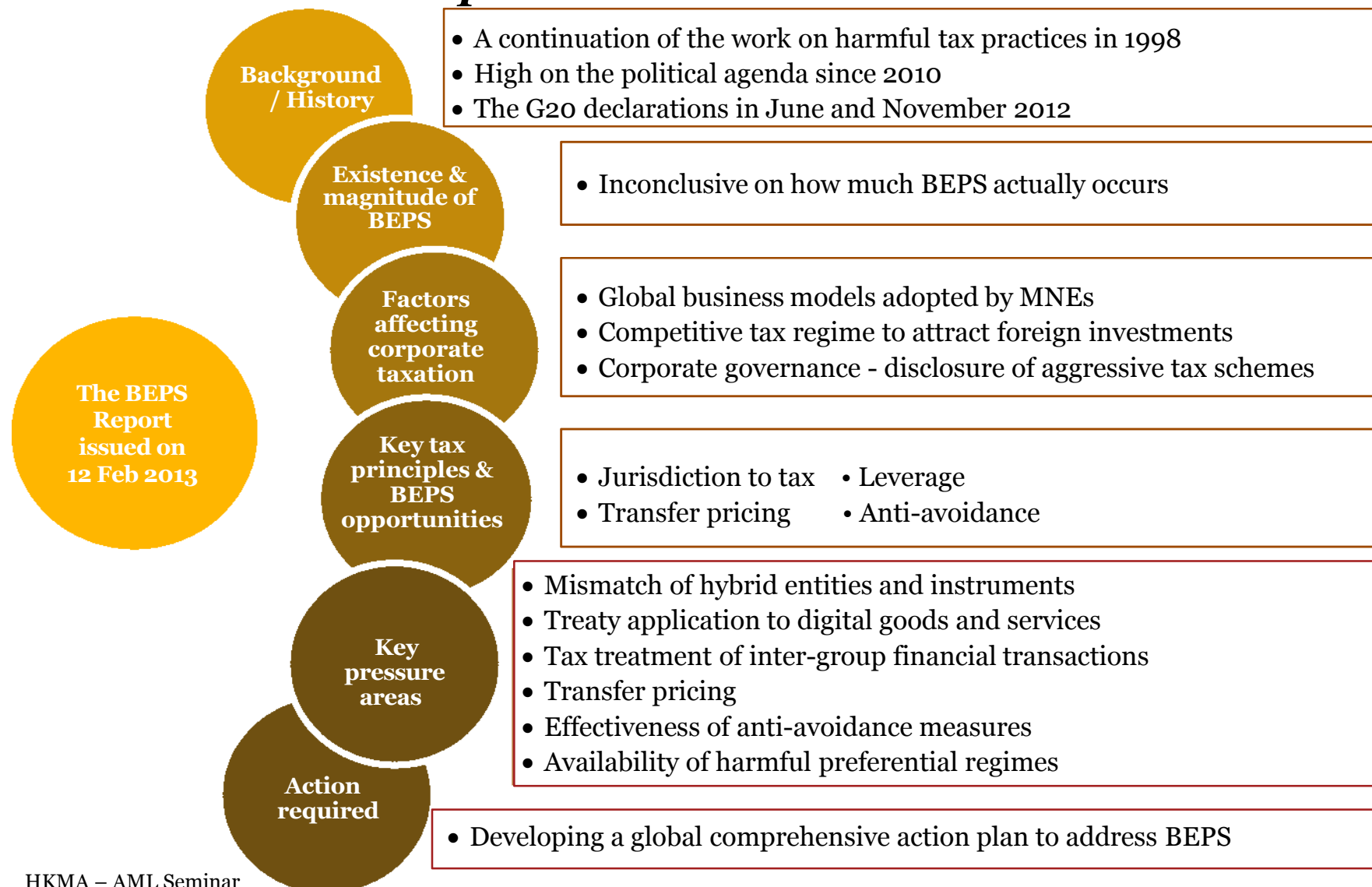
#### ***Who is driving the BEPS project?***

- Commissioned by G20 and devised by the OECD

#### ***How to address BEPS?***

- Countries to team up and take collaborative actions
- OECD issued a report in Feb 2013 and released an action plan in July 2013

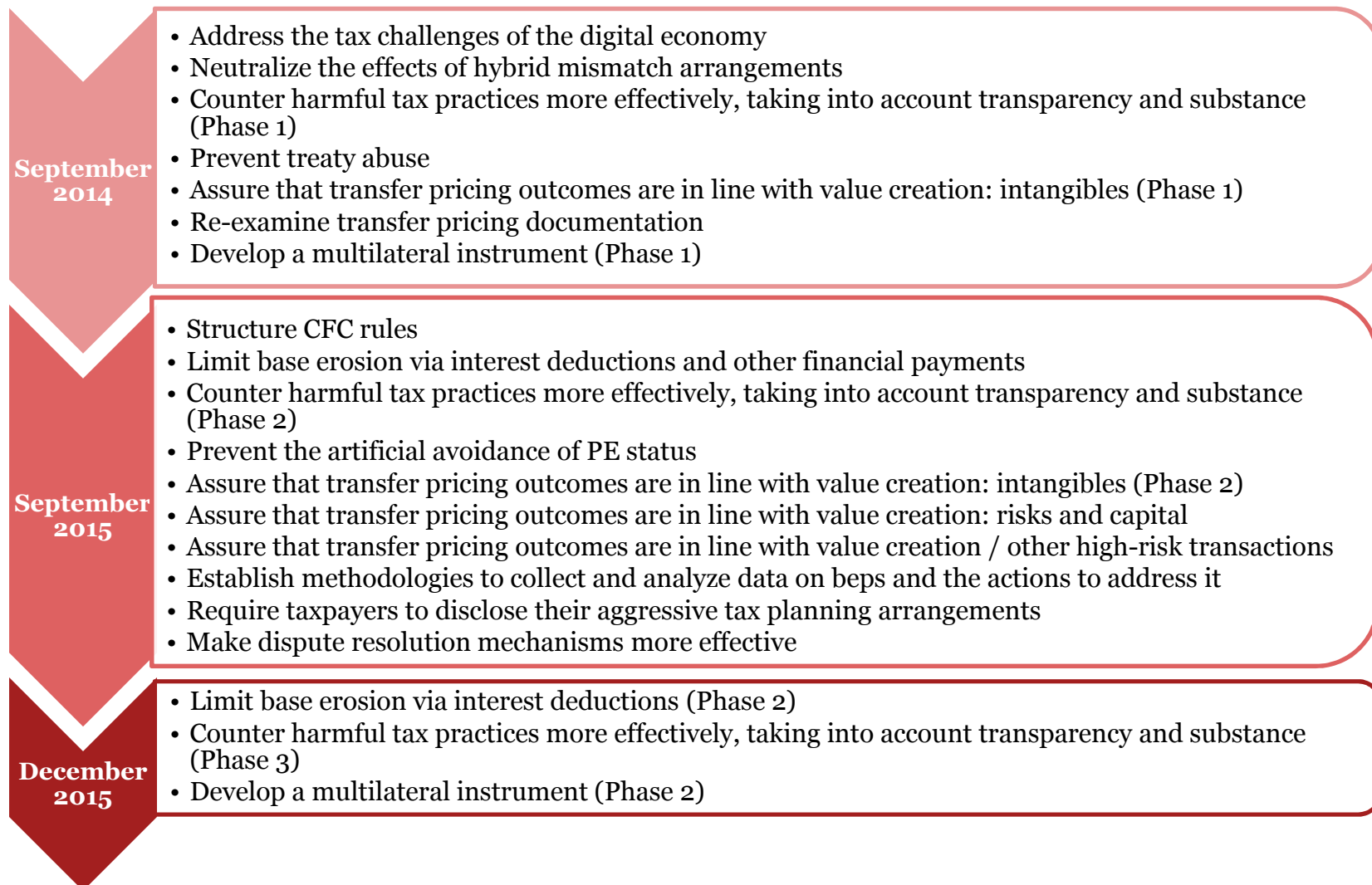
## *The OECD's BEPS Report*



## *The BEPS Action Plan*



## *The BEPS Action Plan by Timeline*



## *The G20 Summit*

- Held in St. Petersburg, September 5 – 6 of 2013
- Pledged to help developing nations fight tax evasion
- Member states of G20 (including China) are expected to begin exchanging tax information automatically **by the end of 2015**
- Backed the OECD action plan on tackling corporate tax avoidance
- Will result in far-reaching compliance obligations



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## Section 3

# *Development and Response from Different Jurisdictions*

## ***Anti-Money Laundering in EU***

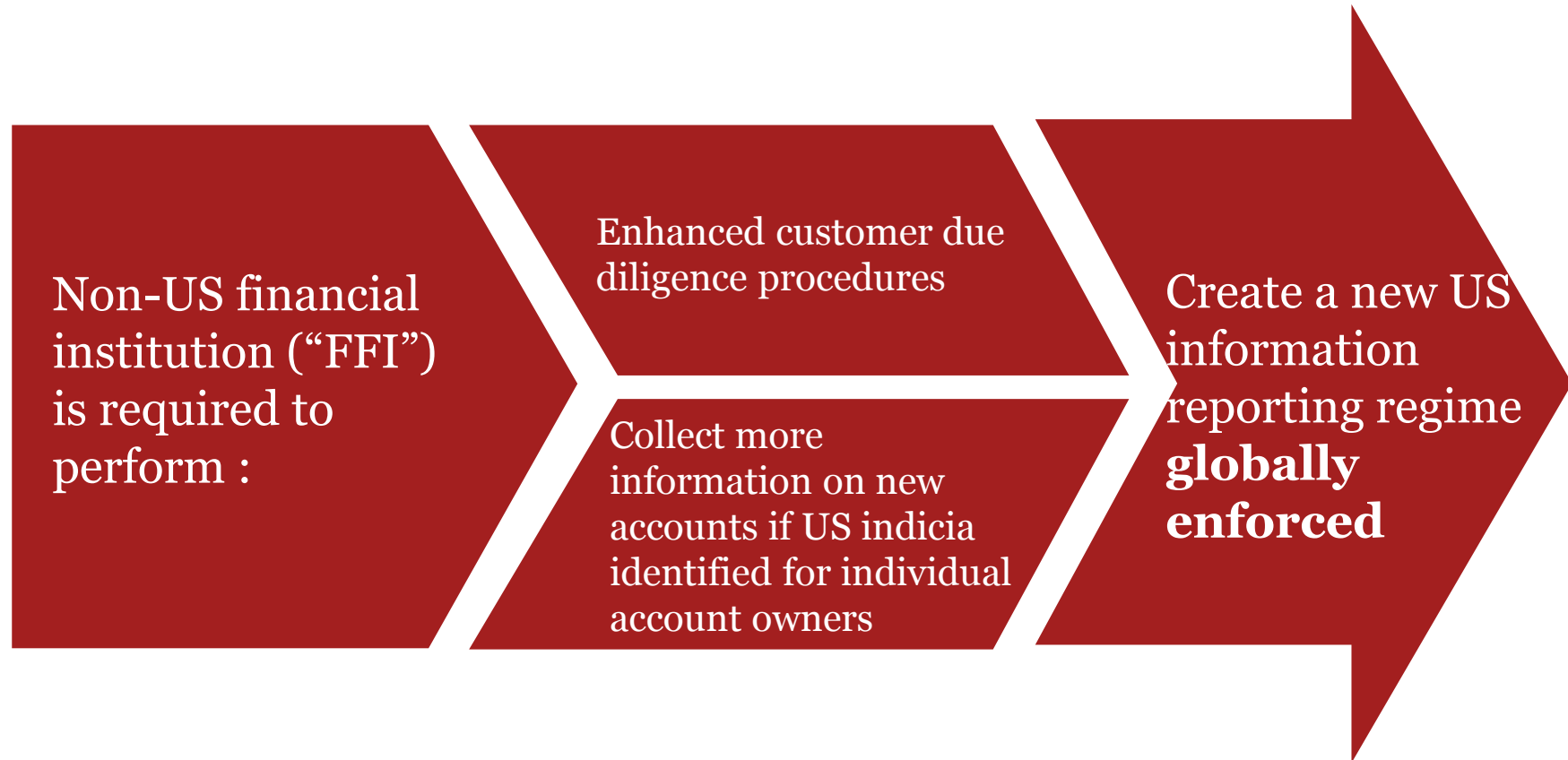
Adopted two new proposals  
in Feb 2013



- ✓ Improve clarity and consistency of the rules
  - ✓ Extend its scope to address new threats and vulnerabilities
  - ✓ Promote high standards for anti-money laundering
- 

**A Risk-Based Approach**

## ***FATCA in the US***






## ***China's Position***



## ***Singapore's Commitment for Combating Tax Evasion***



The Monetary Authority of Singapore (MAS) proposed designation of tax crimes as money laundering predicate offences on 9 Oct 2012

Criminalization of laundering of proceeds from tax offences effective from 1 July 2013

More legislative amendments to be implemented by the end of 2013

## ***Hong Kong***

- Approach to BEPS
- Impact on domestic tax system
- The Inland Revenue (Amendment) (No.2) Ordinance 2013 become effective on 19 July 2013
- Pressure on cooperation
- Tolerance for tax planning
- Possible future developments
- Treaty benefit claims



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## Section 4

# *Challenges for Banks*

## ***Challenges for Banks***

- Knowledge management
- Understanding your clients
- Internal control environment



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## Section 5

### *Q&A*

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## ***THANK YOU***



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